

Message Text

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C O N F I D E N T I A L STATE 091957

EXDIS

FOLLOWING REPEAT CAIRO 5559 ACTION SECSTATE DTD 01 APR

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C O N F I D E N T I A L CAIRO 5559

EXDIS

E.O. 11652: GDS

TAGS: ENRG, PFOR, EG, US

SUBJECT: STATUS OF CONOCO NEGOTIATIONS FOR SINAI ACREAGE

REF: CAIRO 3639

1. EGYPTIAN GENERAL PETROLEUM CORPORATION (EGPC) AND
CONOCO ARE CONTINUING THEIR NEGOTIATIONS FOR EXPLORATION
AND PRODUCTION SHARING AGREEMENT IN SINAI BUFFER ZONE
(BZ). ACCORDING TO EGPC AGREEMENTS DEPARTMENT, CONOCO
IS ASKING FOR SPECIAL ARRANGEMENTS (LONGER COMPLETION
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TIME FOR EXPLORATION COMMITMENTS, DELAYED EFFECTIVE DATE
UNTIL ACCESS TO TERRITORY GUARANTEED) WHICH WERE NOT
INCLUDED IN GULF OR MOBIL AGREEMENTS, BOTH OF WHICH
INCLUDE TERRITORY IN BZ. EGPC FEELS THAT THEY ARE IN
AWKWARD POSITION WITH REGARD TO CONOCO REQUESTS BECAUSE
GULF AND MOBIL PACTS HAVE ALREADY BEEN FINALIZED.
INTERESTINGLY WHEN EMBOFF POINTED OUT THAT CONOCO SITUATION

WAS BIT DIFFERENT BECAUSE MAJOR PORTION OF AREA IS IN BZ, EGPC AGREEMENTS DEPARTMENT INSISTED THAT FOREIGN MINISTRY HAS ASSURED THEM ACCESS TO BZ IS ROUTINE MATTER.

2. CONOCO INFORM US ONLY THAT NEGOTIATIONS HAVE REACHED STAGE WHERE "FINAL DETAILS ARE BEING WORKED OUT" AND IS OPTIMISTIC THAT AGREEMENT WILL BE REACHED SOON.

3. DURING MEETING WITH MFA LEGAL AFFAIRS DIRECTOR AL-ARABI MARCH 26, QUESTION OF ACCESS TO SINAI BZ RAISED. AL-ARABI SAID UN "CANNOT DENY" EGYPT ENTRY TO BZ FOR LEGITIMATE CIVILIAN ACTIVITIES SUCH AS OIL EXPLORATION. AT MOST, UN MIGHT DELAY ACCESS. AL-ARABI SAID, UN IN NEW YORK, HAS ALREADY INFORMALLY AGREED THAT SINAI II AGREEMENT SILENT ON THIS MATTER AND UN HAS AUTHORITY TO PERMIT SUCH ACTIVITIES. ISRAELIS COULD BE INFORMED BY UNEF COMMANDER SILAASVUO, AL-ARABI SAID, BUT THEY (ISRAELIS) CANNOT INSIST THAT MATTER BE DISCUSSED WITH THEM NOR THAT THEIR APPROVAL REQUIRED. AL-ARABI NOTED UN OPINION HAS NOT BEEN SOUGHT RECENTLY BECAUSE ALL THAT REMAINS IS FOR EXPLORATION COMPANIES TO COMPLETE NEGOTIATIONS AND TO ASK GOE TO OBTAIN PERMISSION TO ENTER BZZ.

4. COMMENT. AL-ARABI'S COMMENTS INDICATE STRENGTH OF GOE BELIEF THAT IT CANNOT GIVE ANY GROUND ON ISSUE OF ACCESS TO BZ FOR CIVILIAN ACTIVITIES. FROM STANDPOINT PROTECTION OF AMERICAN INTERESTS, WE FIND MFA'S REALIZATION THAT IT IS GOE RESPONSIBILITY TO OBTAIN CONFIDENTIAL

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NECESSARY ENTRY PERMIT FOR EXPLORATION COMPANY HELPFUL.

5. IT WOULD APPEAR THAT AS FAR AS NEGOTIATIONS WITH CONOCO ARE CONCERNED, COMPANY IS MORE AWARE OF ACTUAL PITFALLS THAN ARE EGPC NEGOTIATORS. PART OF EGPC'S RELUCTANCE TO ACCEPT SPECIAL TERMS STEMS FROM FACT THAT THERE WAS PUBLIC CRITICISM OF PREVIOUS EGPC/CONOCO AGREEMENT COVERING SOUTHERN EGYPT. EGPC DOES NOT WANT TO PLACE ITSELF IN POSITION OF APPEARING TO FAVOR CONOCO IN THIS AGREEMENT THEREBY OPENING ITSELF TO FURTHER CRITICISM. THIS CAUTIOUS APPROACH, COUPLED WITH APPARENT EGPC BLIND BELIEF IN MFA ASSURANCE THAT ACCESS TO BZ IS NOT AN ISSUE, SEEMS TO BE MAKING EGPC NEGOTIATORS MORE DIFFICULT THAN THEY PERHAPS MIGHT BE IN ACCEEDING TO CONOCO'S REQUEST FOR SPECIAL SAFEGUARDS. MATTHEWS UNQTE VANCE

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